

**ADVOCATES FOR ACADEMIC
EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
New Orleans, Louisiana**

Annual Financial Statements

June 30, 2014

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Independent Auditor's Report

To the Board of Directors
Advocates for Academic Excellence in Education, Inc.
d/b/a Benjamin Franklin High School
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Advocates for Academic Excellence in Education, Inc., d/b/a Benjamin Franklin High School (the School), which comprise the statement of financial position as of June 30, 2014, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

NEW ORLEANS HOUSTON BATON ROUGE COVINGTON

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The McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. The McGladrey Alliance member firms maintain their name, autonomy and independence and are responsible for their own client fee arrangements, delivery of services and maintenance of client relationships.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Advocates for Academic Excellence in Education, Inc., d/b/a Benjamin Franklin High School, as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of board of directors is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Performance and Statistical Data, included as Schedules 1 through 9, is not a required part of the basic financial statements, but is supplementary information required by Louisiana State Law. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. We have applied certain limited procedures, which are described in the Independent Accountant's Report on Applying Agreed-Upon Procedures. However, we did not audit this information and, accordingly, express no opinion on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2014 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Covington, LA
November 17, 2014

ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA
Statement of Financial Position
June 30, 2014

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 3,281,126
Grants Receivable	128,813
Student, Class, and Course Fees Receivable, Net	48,842
Unconditional Promises to Give	14,425
Prepaid Expenses	40,501
Total Current Assets	3,513,707
Fixed Assets	
Property and Equipment, Net	325,386
Total Fixed Assets, Net	325,386
Total Assets	\$ 3,839,093
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 150,089
Accrued Expenses	16,172
Total Current Liabilities	166,261
Net Assets	
Unrestricted	3,334,483
Temporarily Restricted	207,775
Permanently Restricted	130,574
Total Net Assets	3,672,832
Total Liabilities and Net Assets	\$ 3,839,093

The accompanying notes are an integral part of these financial statements.

ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA
Statement of Activities
For the Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Grants, and Other Support				
State and Local Public School Funding				
Local - Minimum Foundation Program	\$ 4,098,504	\$ -	\$ -	\$ 4,098,504
State - Minimum Foundation Program	3,745,552	-	-	3,745,552
Special Distributions - Minimum Foundation Program	501,564	-	-	501,564
Grants				
Federal Grants	47,265	35,970	-	83,235
Other State Grants	72,015	-	-	72,015
Class and Course Fees	673,424	-	-	673,424
Contributions	202,466	184,858	4,000	391,324
Student Activity Fees	188,753	-	-	188,753
In-Kind Donations	64,705	-	-	64,705
Other Revenue	20,428	-	-	20,428
Interest Income	12,710	-	-	12,710
Net Assets Released from Restrictions	212,806	(212,806)	-	-
Total Revenue, Grants, and Other Support	9,840,192	8,022	4,000	9,852,214
Expenses				
Salaries and Wages	4,252,007	-	-	4,252,007
Employee Benefits	1,502,554	-	-	1,502,554
Student Activities Expense	880,299	-	-	880,299
Professional Services	740,813	-	-	740,813
Supplies	358,083	-	-	358,083
Repairs and Maintenance	239,463	-	-	239,463
Insurance	199,219	-	-	199,219
Utilities	150,165	-	-	150,165
Travel and Meals	97,443	-	-	97,443
Payroll Taxes	88,070	-	-	88,070
Expendable Furniture, Fixtures, and Equipment	61,569	-	-	61,569
Depreciation	53,612	-	-	53,612
Printing and Postage	38,469	-	-	38,469
Other Expenses	26,971	-	-	26,971
Food Services	26,340	-	-	26,340
Advertising	18,821	-	-	18,821
Total Expenses	8,733,898	-	-	8,733,898
Change in Net Assets	1,106,294	8,022	4,000	1,118,316
Net Assets, Beginning of Year	2,228,189	199,753	126,574	2,554,516
Net Assets, End of Year	\$ 3,334,483	\$ 207,775	\$ 130,574	\$ 3,672,832

The accompanying notes are an integral part of these financial statements.

ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA
Statement of Cash Flows
For the Year Ended June 30, 2014

Cash Flows from Operating Activities	
Change in Net Assets	\$ 1,118,316
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities	
Depreciation	53,612
Contributions Restricted for Endowment Purposes	(4,000)
(Increase) Decrease in Assets:	
Grants Receivable	56,529
Student Fees Receivable	(48,842)
Unconditional Promises to Give	65
Prepaid Expenses	(11,294)
Increase (Decrease) in Liabilities:	
Accounts Payable	(37,454)
Accrued Expenses	2,888
Net Cash Provided by Operating Activities	1,129,820
Cash Flows from Investing Activities	
Property and Equipment Purchases	(11,296)
Net Cash Used in Investing Activities	(11,296)
Cash Flows from Financing Activities	
Repayment of Capital Lease Obligation	(3,944)
Collections of Endowment Gifts	4,000
Net Cash Provided by Financing Activities	56
Net Increase in Cash and Cash Equivalents	1,118,580
Cash and Cash Equivalents, Beginning of Year	2,162,546
Cash and Cash Equivalents, End of Year	\$ 3,281,126

The accompanying notes are an integral part of these financial statements.

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Organization

Advocates for Academic Excellence in Education, Inc., d/b/a Benjamin Franklin High School (the School), incorporated on October 25, 2005, is an educational institution organized to improve student learning, increase learning opportunities for all students, encourage the use of innovative teaching methods, be more thoroughly accountable for education results, and create new professional opportunities for teachers and other school employees.

The Orleans Parish School Board (OPSB) approved the granting of a charter to the School effective January 1, 2006 for a period ending on December 31, 2011, to operate a Type 3 Charter School, as defined in Louisiana Revised Statute (L.R.S.) 17:3973(3)(b). On June 21 2011, the OPSB voted to renew the charter for a period of 10 years, expiring on June 30, 2021.

A summary of the School's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Financial Statement Presentation

The School follows the guidance of the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the School is required to present a statement of cash flows.

The School also follows the guidance of the *Not-for-Profit Entities* Topic of the FASB ASC, whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the donor-imposed time or purpose restrictions. Restricted contributions for which the restriction is met in the same year are classified as unrestricted.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. The financial statements of the School are prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash consists of both unrestricted and restricted balances. Unrestricted cash balances represent cash available for general operating purposes. Restricted cash balances consist of amounts credited to the School's bank accounts from donations received from individuals or entities who specified the use of the contribution.

The School classifies as cash and cash equivalents all highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents. For the year ended June 30, 2014, the School did not have any cash equivalents.

Grants Receivable

The grants receivable are stated at the amount management expects to collect on outstanding balances. The financial statements do not include an estimate for allowance for doubtful accounts. Management believes that all grants receivable are collectible.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. All unconditional promises to give are recognized as assets and revenues. Management believes that all unconditional promises to give are collectible.

Property, Equipment, and Depreciation

Property and equipment are stated at cost. Repairs and maintenance are charged to expense as incurred, major additions to physical plant and facilities and betterments with a purchased cost greater than \$5,000 are capitalized. Property and equipment donated to the School are capitalized at the fair market value at the date donated. Depreciation is provided utilizing the straight-line method over estimated useful lives of the assets.

Compensated Absences

All ten month employees are provided ten days of paid leave per year to be used for illness or personal leave. All eleven month employees receive eleven days of paid leave for illness or personal leave. All twelve month employees who are not members of the executive cabinet receive ten days of paid leave for illness or personal leave and fifteen vacation days; members of the executive cabinet receive ten days for illness or personal leave and twenty vacation days per year. Personal time off is allocated July 1st of each year and is available through June 30th of the following year. Any unused time up to ten days is reported to the Teachers' Retirement System of Louisiana, but is not allowed to be accumulated between fiscal years.

Contributions and Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Contributions and Revenue Recognition (Continued)

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Revenues from federal and state grants are recorded when the School has a right to reimbursement under the related grant, generally corresponding to the incurring of grant related expenses by the School, or when earned under the terms of the grant.

In-Kind Support

The School records the in-kind value of goods and services contributed to support various activities as support and related expenses. In-kind support was \$64,705, for the year ended June 30, 2014, and included donations of musical instruments, books, equipment, and other items.

Income Taxes

The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the School's tax-exempt purpose is subject to taxation as unrelated business income.

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an entity's financial statements. These standards require an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. As of June 30, 2014, the School believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Tax years ended June 30, 2011 and later remain subject to examination by the taxing authorities.

Allocated Expenses

The costs of providing the various programs and other activities are summarized in Note 12. Certain expenses have been allocated among the programs and supporting services based on management's estimate of costs involved.

Fundraising Expenses

All expenses associated with fundraising activities are expensed as incurred, including those expenses related to fundraising appeals in a subsequent year.

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Advertising

Advertising costs, which are included in general and administrative expenses, are expensed as incurred.

Reversionary Interest in Funds and Assets

All funds received from the Louisiana Department of Education, United States Department of Education, or other state or federal agency are funds earned by the School to be used for the purpose for which they were acquired. These agencies, however, have a reversionary interest in these funds, as well as any assets acquired with these funds. Should the charter agreement not be renewed, those funds and assets will transfer to the appropriate agency.

Note 2. Concentrations of Risk

The School received a substantial amount of its revenue through grants awarded by the federal, state, and local governments for the year ended June 30, 2014, which totaled approximately \$8,500,570, or 86% of total revenue.

All of the students and employees of the School live in the Greater New Orleans area.

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be recovered. The School periodically maintains cash in bank accounts in excess of insured limits. However, the School has a written policy for custodial credit risk requiring collateralization of uninsured cash deposits. As of June 30, 2014, the School's bank balances were \$3,494,171. Balances insured by the Federal Deposit Insurance Corporation (FDIC), which covers the total balance of accounts up to \$250,000 per financial institution, totaled \$500,000. The remaining deposits of \$2,994,171 were uninsured. However, uninsured deposits were collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School's name.

Note 3. Cash and Cash Equivalents

The School's cash and cash equivalents (book balances) at June 30, 2014, were \$3,281,126, which are stated at cost and approximate market.

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 4. Property and Equipment

Property and equipment as of June 30, 2014, consisted of the following:

Machinery and Equipment	\$ 491,962
Site Improvements	106,556
Building and Building Improvements	<u>233,870</u>
	832,388
Less Accumulated Depreciation	<u>(507,002)</u>
 Property and Equipment, Net	 <u>\$ 325,386</u>

Depreciation expense for the year ended June 30, 2014, totaled \$53,612.

Note 5. Bank Line of Credit

The School maintained a line of credit of \$100,000 with a local financial institution with variable rate of interest at the Wall Street Journal prime rate (3.25% as of June 30, 2014) due on demand. The line of credit is secured by the savings account of the School, which is held by the same financial institution. As of June 30, 2014, the School had no outstanding borrowing under the line of credit and the full amount of the line of credit was available to the School.

Note 6. Retirement Plan

Substantially all employees of the School participate in the Teachers' Retirement System of Louisiana (TRSL). This system is a cost sharing, multiple-employer governmental defined benefit plan qualified under Section 401(a) of the Internal Revenue Code. The plan provides retirement benefits as well as disability and survivor benefits to eligible participants. The TRSL issues publicly available financial reports that include financial statements and required supplementary information of the TRSL. That report may be obtained by writing to the Teachers' Retirement System of Louisiana, P.O. Box 94123, Baton Rouge, LA 70804-9123.

Participants vest immediately in employee contributions to the plan. Retirement benefits vest after five years of service if the employee reaches age sixty; otherwise, benefits vest after twenty years of service. Benefits are established and amended by state statute. Upon retirement, participants may select from eight retirement payment options.

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 6. Retirement Plan (Continued)

For the year ended June 30, 2014, participants were required to contribute 8% of their annual covered payroll to the plan and the School was required to contribute 27.2% of the annual covered payroll of each participating employee. These contribution levels are established by law and set by the Public Retirement System's Actuarial Committee. For the year ended June 30, 2014, the School's contributions to this plan totaled \$1,106,290.

Note 7. Endowment Fund

The Endowments. The School's endowment fund was established primarily for the purpose of maintaining the School and consists of donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The School has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the School classifies as permanently restricted net assets:

- the original value of gifts donated to the permanent endowment,
- the original value of subsequent gifts to the permanent endowment, and
- accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the School in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the School considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the School and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the School
- The investment policies of the School

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 7. Endowment Fund (Continued)

Endowment net asset composition as of June 30, 2014, was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Funds	\$ -	\$ -	\$ 130,574	\$ 130,574

Changes in endowment net assets for the year ended June 30, 2014, were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets, Beginning of Year	\$ -	\$ -	\$ 126,574	\$ 126,574
Contributions	-	-	4,000	4,000
Net Assets, End of Year	\$ -	\$ -	\$ 130,574	\$ 130,574

Funds with Deficiencies. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that either the donor or UPMIFA requires the School to retain as a fund of perpetual duration. These deficiencies can result from unfavorable market fluctuations. There were no such deficiencies as of June 30, 2014.

Return Objectives and Risk Parameters. Upon accumulating \$500,000 in contributions in the endowment fund, the endowment will be invested with the intention of obtaining general market returns with a minimum amount of investment and management expenses. Until such accumulation occurs, the endowment is invested to maintain preservation of principal.

Strategies Employed for Achieving Objectives. The investment funds are invested in an interest bearing savings account.

Spending Policy and How Investment Objectives Relate to the Spending Policy. Spending of interest earned by the endowment funds will be generally related to the operation of the School.

Note 8. Restrictions on Net Assets

Temporarily restricted net assets are restricted by donors for specific programs, purposes, or to assist specific departments of the School. These restrictions are considered to expire when payments for restricted purposes are made. None of the temporarily restricted net assets are time-restricted by donors.

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 8. Restrictions on Net Assets (Continued)

Temporarily restricted net assets as of June 30, 2014, are available for the following purposes:

Academics	\$ 61,031
Pupil Support	25,582
Technology	22,449
After School Activities	20,597
Professional Development	20,243
Athletics	16,692
Foreign Language Lab	14,588
Class Reunion Gifts	10,512
Library	10,117
Maintenance	5,964
	<hr/>
Total	\$ 207,775

As discussed in Note 7, permanently restricted net assets of \$130,574 as of June 30, 2014, relate to an operating endowment to be held in perpetuity. The income from endowment investments is expendable for operations.

Note 9. Grants

The United States Department of Education passed through a grant to the OPSB, which was awarded to the School as a subrecipient, to increase academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers, principals, and assistant principals. The grant funds must be used to assist schools in effectively recruiting and retaining highly qualified teachers, to make available professional development activities that address subject matter knowledge and other activities. For the year ended June 30, 2014, the School recognized revenue under this grant of \$47,265, which is included in federal grants on the statement of activities.

The United States National Oceanic and Atmospheric Administration awarded the School a grant to perform academic research and training in Louisiana wetlands. For the year ended June 30, 2014, the School recognized revenue under this grant of \$35,970, which is included in federal grants on the statement of activities.

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 9. Grants (Continued)

The Louisiana State Government passed through an appropriation to the OPSB, which was awarded to the School as part of House Bill No. 1, to provide funding for ordinary operating expenses of the School. For the year ended June 30, 2014, the School recognized revenue under this grant of \$69,378, which is included in other state grants on the statement of activities.

The State of Louisiana provides funding which is determined on an annual basis based on the number of pupils enrolled in the School as of October 1st. This state-funded per pupil allocation is based on the most recently approved Minimum Foundation Program (MFP) formula resolution. For the year ended June 30, 2014, the School recognized revenue under this grant of \$3,745,552.

The OPSB provides funding which is determined on an annual basis based on the number of pupils enrolled in the School as of October 1st. Revenues received by the OPSB from sales tax revenues, ad valorem taxes, and other sources are allocated to each school based on its enrollment. For the year ended June 30, 2014, the School recognized revenue under this funding of \$4,098,504.

During 2014, the School received certain special distributions from the OPSB related to MFP true-up calculations performed by the OPSB for previous years. For the year ended June 30, 2014, the School recognized revenue of \$501,564, related to these distributions.

Note 10. Commitments

The School has an employment contract with an executive employee through June 30, 2016. As of June 30, 2014, future minimum payments due under the executive employee contract are as follows:

Year Ending June 30,	
2015	\$ 171,972
2016	<u>171,972</u>
	<u>\$ 343,944</u>

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 11. School Operations/Leasehold Interest

Effective January 1, 2006, the School entered into an agreement with the OPSB, which allows the School to use the facilities and its contents located at 2001 Leon C. Simon Boulevard or any other locations as may be approved by the School and the OPSB. On June 21, 2011, the OPSB voted to renew the agreement for a period of ten years through June 30, 2021.

The School is responsible for all necessary maintenance to ensure that the facilities comply with all state and local health and safety standards and other applicable laws, regulations, and rules. If capital improvements are made by the School with non-public funds to any site which it operates, and the charter contract is revoked or terminated, the School will be reimbursed for the fair market value of such capital improvements. Assets purchased with public funds or obtained from public sources will automatically revert to the OPSB at the time this agreement is terminated. The School must maintain records of any assets acquired with private funds that will remain the property of the School.

Use of the property is not recorded as an in-kind contribution from the OPSB, nor as a related rent expense. The value of the use of the land and building is not readily determinable. The agreement is classified as an exchange transaction because both parties receive significant value from this arrangement. Accordingly, the present value of the benefit to be received in future years has not been recorded.

Note 12. Functional Allocation of Expenses

Expenses have been reported on the statement of activities by natural classification. To present expenses by functional classifications, expenses are charged to program services and supporting services (management and general expense and fundraising expense) based on management's estimate of periodic time and expense evaluations. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the School.

Total expenses for the year ended June 30, 2014, are allocated as follows:

Program Services	\$ 7,765,647
Supporting Services	
Management and General	743,477
Fundraising	<u>224,774</u>
Total Expenses	<u>\$ 8,733,898</u>

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA**

Notes to Financial Statements

Note 13. Risk Management

The School is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the year ended June 30, 2014.

Note 14. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 17, 2014, and determined that the following events occurred that require disclosure.

On May 15, 2014, the Board of Directors voted to voluntarily recognize the United Teachers of New Orleans, Local 527, LFT, AFT, AFL-CIO (the Union) as exclusive bargaining representative for the purpose of negotiating a collective bargaining agreement under a voluntary recognition agreement to be negotiated by the board president and subject to board approval. Subsequent to the fiscal year ended June 30, 2014, members of the board and administration have met with the Union representatives to negotiate the collective bargaining agreement. As of the date of the report, the agreement had not been finalized.

No other subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**SCHEDULES REQUIRED BY LOUISIANA STATE LAW
(R.S. 24:514 - PERFORMANCE AND STATISTICAL DATA)**

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
Advocates for Academic Excellence in Education, Inc.
d/b/a Benjamin Franklin High School
New Orleans, Louisiana

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of Advocates for Academic Excellence in Education, Inc., d/b/a Benjamin Franklin High School (the School), and the Legislative Auditor, State of Louisiana, solely to assist you in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of Advocates for Academic Excellence in Education, Inc. and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin. The School's management is responsible for the School's data. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings that relate to the accompanying schedules of supplemental information are as follows:

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources (Schedule 1)

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:
 - Total General Fund Instructional Expenditures
 - Total General Fund Equipment Expenditures
 - Total Local Taxation Revenue
 - Total Local Earnings on Investment in Real Property
 - Total State Revenue in Lieu of Taxes
 - Nonpublic Textbook Revenue
 - Nonpublic Transportation Revenue

Findings:

None

Education Levels of Public School Staff (Schedule 2)

2. We reconciled the total number of full time classroom teachers per the schedule "Experience of Public Principals, Assistant Principals and Full Time Classroom Teachers" (Schedule 4) to the combined total number of full time classroom teachers per this schedule and to School supporting payroll records as of October 1st.
3. We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals, Assistant Principals and Full Time Classroom Teachers" (Schedule 4) to the combined total of principals and assistant principals per this schedule.
4. We obtained a list of principals, assistant principals and full time classroom teachers by classification as of October 1st and as reported on the schedule. We traced 25 of the teachers to the individual's personnel file to determine if the individual's education level was properly classified on the schedule.

Findings:

None

Number and Type of Public Schools (Schedule 3)

5. We obtained a list of schools by type as reported on the schedule. We compared the list to the schools and grade levels as reported on the Title I Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

Findings:

None

Experience of Public Principals, Assistant Principals and Full Time Classroom Teachers (Schedule 4)

6. We obtained a list of principals, assistant principals and full time classroom teachers by classification as of October 1st and as reported on the schedule and traced the same sample used in procedure 4 to the individual's personnel file and determined if the individual's experience was properly classified on the schedule.

Findings:

None

Public School Staff Data (Schedule 5)

7. We obtained a list of all classroom teachers including their base salary, extra compensation and ROTC or rehired retiree status as well as full time equivalents as reported on the schedule and traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's salary, extra compensation, and full time equivalents were properly included on the schedule.
8. We recalculated the average salaries and full time equivalents reported on the schedule.

Findings:

None

Class Size Characteristics (Schedule 6)

9. We obtained a list of classes by school, school type and class size as reported on the schedule and reconciled school type classifications to Schedule 3 data, as obtained in procedure 5. We then traced a random sample of 10 classes to the October 1st roll books for those classes and determined if the class was properly classified on the schedule.

Findings:

None

Louisiana Educational Assessment Program (LEAP) (Schedule 7)

10. Not applicable.

Graduation Exit Exam (Schedule 8)

11. Not applicable.

iLEAP Test Results (Schedule 9)

12. Not applicable.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of Advocates for Academic Excellence in Education, Inc., the Orleans Parish School Board, the Louisiana Department of Education, the Louisiana Legislature and the Legislative Auditor, State of Louisiana and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA
November 17, 2014

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
Schedules Required by Louisiana State Law
(R.S. 24:514 - Performance and Statistical Data)
As of and for the Year Ended June 30, 2014**

Schedule 1 - General Fund Instructional and Support Expenditures and Certain Local Revenue Sources

This schedule includes general fund instructional and equipment expenditures. It also contains local taxation revenue, earnings on investments, revenue in lieu of taxes and nonpublic textbook and transportation revenue. This data is used either in the Minimum Foundation Program (MFP) formula or is presented annually in the MFP 70% Expenditure Requirement Report.

Schedule 2 - Education Levels of Public School Staff

This schedule includes the certificated and uncertificated number and percentage of full time classroom teachers and the number and percentage of principals and assistant principals with less than a Bachelor's; Master's; Master's +30; Specialist in Education; and Ph. D. or Ed. D. degrees. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 3 - Number and Type of Public Schools

This schedule includes the number of elementary, middle/junior high, secondary and combination schools in operation during the fiscal year. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 4 - Experience of Public Principals, Assistant Principals and Full Time Classroom Teachers

This schedule includes the number of years of experience in teaching for principals, assistant principals and full time classroom teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 5 - Public School Staff Data

This schedule includes average classroom teachers' salary using full time equivalents, including and excluding ROTC and rehired retiree teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 6 - Class Size Characteristics

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20, 21-26, 27-33 and 34+ students. This data is currently reported to the Legislature in the Annual School Report (ASR).

Schedule 7 - Louisiana Educational Assessment Program (LEAP)

Not applicable.

Schedule 8 - Graduation Exit Exam (GEE)

Not applicable.

Schedule 9 - iLEAP Test Results

Not applicable.

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA
General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2014**

Schedule 1

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures:

Teacher and Student Interaction Activities		
Classroom Teacher Salaries	\$ 2,566,028	
Other Instructional Staff Salaries	341,051	
Instructional Staff Employee Benefits	1,013,548	
Purchased Professional and Technical Services	948	
Instructional Materials and Supplies	121,489	
Instructional Equipment	10,000	
	<hr/>	
Total Teacher and Student Interaction Activities		\$ 4,053,064
Other Instructional Activities		3,446
Pupil Support Services	396,011	
Less: Equipment for Pupil Support Services	15,839	
	<hr/>	
Net Pupil Support Services		380,172
Instructional Staff Services	98,374	
Less: Equipment for Instructional Staff Services	-	
	<hr/>	
Net Instructional Staff Services		98,374
School Administration	1,456,882	
Less: Equipment for School Administration	365	
	<hr/>	
Net School Administration		1,456,517
		<hr/>
Total General Fund Instructional Expenditures		\$ 5,991,573
		<hr/>
Total General Fund Equipment Expenditures		\$ 16,204

Certain Local Revenue Sources

Local Taxation Revenue		
Constitutional Ad Valorem Taxes	\$ -	
Renewable Ad Valorem Tax	-	
Debt Service Ad Valorem Tax	-	
Up to 1% of Collections by the Sheriff on Taxes	-	
Other than School Taxes	-	
Sales and Use Taxes	-	
	<hr/>	
Total Local Taxation Revenue		\$ -
		<hr/>
Local Earnings on Investment in Real Property		
Earnings from 16th Section Property	\$ -	
Earnings from Other Real Property	-	
	<hr/>	
Total Local Earnings on Investment in Real Property		\$ -
		<hr/>
State Revenue in Lieu of Taxes		
Revenue Sharing - Constitutional Tax	\$ -	
Revenue Sharing - Other Taxes	-	
Revenue Sharing - Excess Portion	-	
Other Revenue in Lieu of Taxes	-	
	<hr/>	
Total State Revenue in Lieu of Taxes		\$ -
		<hr/>
Nonpublic Textbook Revenue	\$ -	
Nonpublic Transportation Revenue	-	
	<hr/>	

See independent accountant's report on applying agreed-upon procedures.

ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA
Education Levels of Public School Staff
As of October 1, 2013

Schedule 2

Category	Full Time Classroom Teachers				Principals & Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree								
Bachelor's Degree	7	16%						
Master's Degree	24	52%	4	100%				
Master's Degree +30	7	16%			2	100%		
Specialist in Education								
Ph. D. or Ed. D.	7	16%					1	100%
Total	45	100%	4	100%	2	100%	1	100%

See independent accountant's report on applying agreed-upon procedures.

ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA
Number and Type of Public Schools
For the Year Ended June 30, 2014

Schedule 3

Type	Number
Elementary	
Middle/Jr. High	
Secondary	1
Combination	
Total	1

See independent accountant's report on applying agreed-upon procedures.

ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA
Experience of Public Principals, Assistant Principals
and Full Time Classroom Teachers
As of October 1, 2013

Schedule 4

	0 - 1 Yr.	2 - 3 Yrs.	4 - 10 Yrs.	11 - 14 Yrs.	15 - 19 Yrs.	20 - 24 Yrs.	25+ Yrs.	Total
Assistant Principals					1	1		2
Principals							1	1
Classroom Teachers	5	7	11	2	3	6	15	49
Total	5	7	11	2	4	7	16	52

See independent accountant's report on applying agreed-upon procedures.

ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA
Public School Staff Data
For the Year Ended June 30, 2014

Schedule 5

	All Classroom Teachers	Classroom Teachers Excluding ROTC, Rehired Retirees, and Flagged Salary Reductions
Average Classroom Teachers Salary Including Extra Compensation	\$56,200	\$55,712
Average Classroom Teachers Salary Excluding Extra Compensation	\$55,636	\$55,169
Number of Teacher Full Time Equivalents (FTEs) Used in Computation of Average Salaries	48.25	45.25

See independent accountant's report on applying agreed-upon procedures.

ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA
Class Size Characteristics
As of October 1, 2013

Schedule 6

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
High	49%	135	43%	117	8%	21		
High Activity Classes	23%	14	32%	20	20%	12	25%	15

See independent accountant's report on applying agreed-upon procedures.

ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA
Louisiana Educational Assessment Program (LEAP)
For the Year Ended June 30, 2014

Schedule 7

The School does not have grades 4 or 8. Therefore, this schedule is not applicable to the School.

See independent accountant's report on applying agreed-upon procedures.

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA
Graduation Exit Exam (GEE)
For the Year Ended June 30, 2014**

Schedule 8

The GEE has been discontinued and, therefore, is no longer being administered. Therefore, this schedule is no longer applicable to the School.

See independent accountant's report on applying agreed-upon procedures.

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA
iLEAP Test Results
For the Year Ended June 30, 2014**

Schedule 9

The iLEAP has been discontinued for Grade 9 and, therefore, is no longer being administered. The School does not have grades 3, 5, or 7. Therefore, this schedule is no longer applicable to the School.

See independent accountant's report on applying agreed-upon procedures.

SUPPLEMENTARY INFORMATION

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA
Schedule of Board of Directors
For the Year Ended June 30, 2014**

<u>Board Members</u>	<u>Compensation</u>
Duris Holmes, President	\$-0-
Carl Indest, Secretary/Treasurer	\$-0-
Patricia A. Adams	\$-0-
Lester F. Alexander III	\$-0-
Mark Baum	\$-0-
Anh Joseph Cao	\$-0-
Dr. Joseph A. Horton, M.D.	\$-0-
Dr. Ingrid T. Labat, M.D.	\$-0-
Saundra Katz Levy	\$-0-
Mark A. Mayer	\$-0-
G. Gary Ostroske	\$-0-
Susan Weeks	\$-0-

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

To the Board of Directors
Advocates for Academic Excellence in Education, Inc.
d/b/a Benjamin Franklin High School
New Orleans, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Advocates for Academic Excellence in Education, Inc., d/b/a Benjamin Franklin High School (the School), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated November 17, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

NEW ORLEANS HOUSTON BATON ROUGE COVINGTON

An Independently Owned Member, McGladrey Alliance

The McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. The McGladrey Alliance member firms maintain their name, autonomy and independence and are responsible for their own client fee arrangements, delivery of services and maintenance of client relationships.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA
November 17, 2014

**ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA
Schedule of Findings and Responses
For the Year Ended June 30, 2014**

Section I. Summary of Audit Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor's report | Unmodified |
| 2. Internal control over financial reporting and compliance and other matters | |
| a. Material weaknesses identified | None |
| b. Significant deficiencies identified not considered
to be material weaknesses | None |
| c. Noncompliance noted | None |

Section II. Internal Control Over Financial Reporting

None.

Section III. Compliance and Other Matters

None.

ADVOCATES FOR ACADEMIC EXCELLENCE IN EDUCATION, INC.
D/B/A BENJAMIN FRANKLIN HIGH SCHOOL
NEW ORLEANS, LOUISIANA
Schedule of Prior Year Findings and Responses
For the Year Ended June 30, 2014

Section II. Internal Control Over Financial Reporting

None.

Section III. Compliance and Other Matters

None.



LaPorte, APAC
5100 Village Walk | Suite 300
Covington, LA 70433
985.892.5850 | Fax 985.892.5956
LaPorte.com

November 17, 2014

To the Senior Management and Board of Directors
Advocates for Academic Excellence in Education, Inc.
d/b/a Benjamin Franklin High School
2001 Leon C. Simon Drive
New Orleans, LA 70122

Ladies and Gentlemen:

This letter includes comments and suggestions with respect to matters that came to our attention in connection with our audit of the financial statements of Advocates for Academic Excellence in Education, Inc., d/b/a Benjamin Franklin High School (the School), for the year ended June 30, 2014. These items are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the School's practices and procedures.

Supporting Documentation for Credit Card Transactions:

In testing a sample of 12 credit card transactions, we noted 4 purchases of meals which did not contain all of the documentation recommended by the Louisiana Legislative Auditor. Three (3) purchases did not include itemized receipts. One (1) purchase did not include an itemized receipt nor a listing of attendees. The Louisiana Legislative Auditor recommends that purchases of meals contain the following supporting documentation:

1. Itemized receipt of goods or services
2. Documentation that purchase was for the use of the School
3. Listing of attendees for any travel, event, or meal purchases
4. Signed and dated expense form

While the School has a credit card policy that all credit card users are required to sign and controls in place to request the aforementioned documentation, we recommend that the School more stringently enforce the requirement of obtaining supporting documentation from card users that would allow for the immediate identification of the goods and services purchased, the purpose of the purchase, those partaking in the purchase (if for travel, event, or meal), and an expense form noting approval of the purchase. We also recommend that the credit card policy be modified so as to more specifically define the documentation that is required for any charge to the credit card.

Management's Response:

Internal control processes have been implemented subsequent to fiscal year ended June 30, 2014 relative to the specific suggestion as a result of Les Alexander's, Board Member and Audit Committee Chair, review of the bank statements and reconciliations and Dr. Rusnak's credit card statement. He noted while the monthly transactions appeared reasonable, it would be in the School's best interest to require the above relative to Dr. Rusnak's meal transactions as we do of all other employees.

NEW ORLEANS HOUSTON BATON ROUGE COVINGTON

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The McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. The McGladrey Alliance member firms maintain their name, autonomy and independence and are responsible for their own client fee arrangements, delivery of services and maintenance of client relationships.

To the Senior Management and Board of Directors
Advocates for Academic Excellence in Education, Inc.
d/b/a Benjamin Franklin High School
November 17, 2014
Page 2

Credit Card Transaction Volume

During an analysis of disbursement activity within the general ledger, we noted that of the roughly 2,300 cash disbursements, roughly 1,300 (57%) of them were credit card transactions. We further noted that card purchase activity accounted for roughly \$423,000 (5%) worth of all expense activity. Based on our understanding of similar not-for-profit charter school entities, this activity is higher on both accounts. Further, a high volume of credit card usage may increase the risk of private inurement occurrences, which would jeopardize the School's compliance with Federal IRS regulations.

We recommend that management evaluate the cost-benefit ratio of utilizing credit cards in daily operations.

Management's Response:

In January 2014, the School switched banks to First NBC from Capital One Bank. One of the factors in this decision was to obtain a checking account that did not have a per-check analysis charge. Over the past several years in an effort to reduce the bank fees charged per check, the credit card usage increased. As a result of the switch, management began reverting back to printing checks for expenses unless the expense related to meals, travel or purchases that required credit card as the form of payment.

* * * * *

This letter is intended solely for the information and use of the Board of Directors, management and others within the School and is not intended to be, and should not be, used by anyone other than these specified parties. We appreciate serving the School and would be happy to assist you in addressing and implementing any of the suggestions in this letter.

Sincerely,

A handwritten signature in cursive script that reads "LaPorte".

LAPORTE
A Professional Accounting Corporation